

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00

DODE-00 DOTE-00 INR-11 NSAE-00 RSC-01 FAA-00 L-03

SS-20 NSC-07 H-03 DRC-01 /108 W

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R 011615Z AUG 74

FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 4008

INFO AMEMBASSY LONDON

AMEMBASSY MEXICO CITY

AMEMBASSY PARIS

LIMITED OFFICIAL USE LUXEMBOURG 0485

E.O. 11652: N/A

TAGS: ETRN, LU

SUBJ: AIR EUROPE

REF: STATE 165607 (NOTAL)

1. ON AUGUST 1 THE ECON OFFICER INFORMED MARCEL MART, MINISTER OF TRANSPORTATION, THAT US NOTE TO GOL EXPRESSING CONCERN OVER THE LUXEMBOURG-TIJUANA AIR ROUTE TO BE OPERATED BY A LUXEMBOURG COMPANY WOULD BE SENT LATER IN THE DAY (REFTEL).

2. MART REPLIED THAT THE OFFICIAL US REACTION WOULD HAVE AN INFLUENCE ON HIS FUTURE ACTIONS WITH RESPECT TO AIR EUROPE BUT THAT, AT THIS TIME, HE COULD NOT MORALLY RESCIND THE AUTHORIZATION THAT HE HAD GRANTED TO AIR EUROPE.

3. MART THEN WONDERED WHAT TYPE OF ACTION THE GOL COULD TAKE SHORT OF RESCINDING THE AUTHORIZATION THAT WOULD MAKE IT IMPOSSIBLE FOR AIR EUROPE TO OPERATE FROM LUXEMBOURG. THERE ARE FEW BUREAUCRATIC DELAYS THAT

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THE GOL CAN TAKE SINCE ALL AUTHORIZATIONS FOR AIR EUROPE

HAVE BEEN GRANTED. MART SAID THAT THE DC-10 FROM LAKER AIRWAYS IS UNDER A WET LEASE AND THAT LAKER HAS GUARANTEED ADEQUATE INSURANCE FOR THE UNDERTAKING. MART SEES AIR EUROPE AS A TOUR AGENT USING A BRITISH AIRCRAFT AND OPERATING UNDER BRITISH LAWS AND SAFEGUARDS. MART ADDED THAT, SHOULD LAKER REFUSE TO LEASE THE AIRCRAFT TO AIR EUROPE OR SHOULD THE CONDITIONS THAT HE INSISTED UPON REGARDING SAFEGUARDS AND INSURANCE NOT BE MET, HE WOULD PLACE AIR EUROPE UNDER THE SAME REGULATIONS AS THE LUXEMBOURG NATIONAL AIRLINE, LUXAIR. ACCORDING TO MART, THESE REGULATIONS INCLUDE INSURANCE GUARANTEES IN EXCESS OF 1 BILLION LUXEMBOURG FRANCS (\$25 MILLION).

4. MART ALSO BELIEVES THAT THE AVAILABILITY OF THE LAKKER AIRCRAFT IS CONNECTED WITH LAKER'S APPLICATION FOR A LONDON-NEW YORK SHUTTLE SERVICE. IF THE LATTER SERVICE IS APPROVED BY THE US, LAKER MIGHT NOT LEASE THE DC-10 TO AIR EUROPE. MART ADDED THAT THE LAKER-NEW YORK SHUTTLE WOULD SIPHON OFF TRAFFIC FROM ICELANDIC AIRWAYS, THE NON-IATA CARRIER SERVING LUXEMBOURG FROM NEW YORK AND CHICAGO VIA REYKJAVIK. IF THIS WERE TO HAPPEN, MART SAID THAT HE MIGHT NEED TO FAVOR AIR EUROPE AND OTHER CARRIERS SEEKING LANDING RIGHTS IN LUXEMBOURG IN ORDER TO COMPENSATE FOR THE LOSS OF TRAFFIC ON ICELANDIC AIRWAYS. WE QUESTIONED THIS ASSUMPTION, POINTING OUT THAT THE PROPOSED LAKER SHUTTLE WOULD AFFECT CARRIERS SERVING THE EAST COAST-LONDON ROUTE BUT WOULD HAVE ONLY MINIMAL EFFECT, IF ANY, ON ICELANDIC'S REGULARLY-SCHEDULED FLIGHTS TO LUXEMBOURG. (COMMENT: THE LUXEMBOURG DIRECTOR OF ICELANDIC AIRWAYS HAD PREVIOUSLY TOLD US THAT THE LAKER SHUTTLE WOULD HAVE LITTLE EFFECT ON ICELANDIC TRAFFIC TO LUXEMBOURG.)

5. MART CONCLUDED BY ASSURING US THAT HE INTENDS TO CHECK THE INSURANCE AND OTHER GUARANTEES UNDERTAKEN BY LAKER TO SEE IF THEY WERE ALL IN ORDER AS HE BEGINNING TO HAVE DOUBTS ABOUT THE FINANCIAL VIABILITY OF AIR EUROPE, PARTICULARLY SINCE THE AIRLINE IS PLANNING TO COMMENCE OPERATIONS AFTER THE PEAK SUMMER SEASON HAS LIMITED OFFICIAL USE

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